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C8910-1A

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY JULY 1986 $10.00

MMM D20814 1286 3 07 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800
BETHE SDA MD 20814

27th ANNUAL ALMANAC

- Sales Reps Seek Greater Access
- The Exchange Geography of AAFES
- Good Morning, Inspector General (Oh, Darn!)

contents

JULY 1986 VOL. 37, NO. 7

Talking with VA's Piper — page 26.

It's a commissary inspection — page 35.

4 **Editorial**

8 **News** — Navy tests sales bonuses. Study on DPSC recommends warehouses in Europe. Rear Adm. Wilson will stay on at NAVRESSSO. Army issues extensive smoking ban. AFCOMS salad bars are a big hit. And, yes, Marcos will pay his exchange bills, after all.

16 **Letters to the Editor** — "Musical chairs at AAFES," writes a European worker; MECOR's director talks about incentives.

26 **On the Firing Line** — A talk about VCS with VA's Mansell Piper.

29 **Vendors' Wish List** — Lloyd Johnson offers some real advice.

35 **Good Morning!** — Following a commissary inspection with Association Editor Anne Roketenetz.

48 **Exchange Geography of AAFES** — Part 1: Golden Gate, Ohio Valley and Alamo.

60 **Military Representatives List**

67 **Annual Almanac** — Yearly data on military resale.

78 **System Reports**

94 **List of Distributors**

96 **Annual Directory**

232 **Promos**

233 **Supplier Notes/ Troop Maneuvers**

234 **Update** — From ALA in Norfolk, "Time to tighten belts."

236 **Opinion** — Tobacco craziness.

239 **Classified Ads**

240 **Military Market Index**

241 **Com-Ex Comix/Ad Index**

242 **Calendar**

COVER ILLUSTRATION BY MARGARET KING

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serving the military resale system

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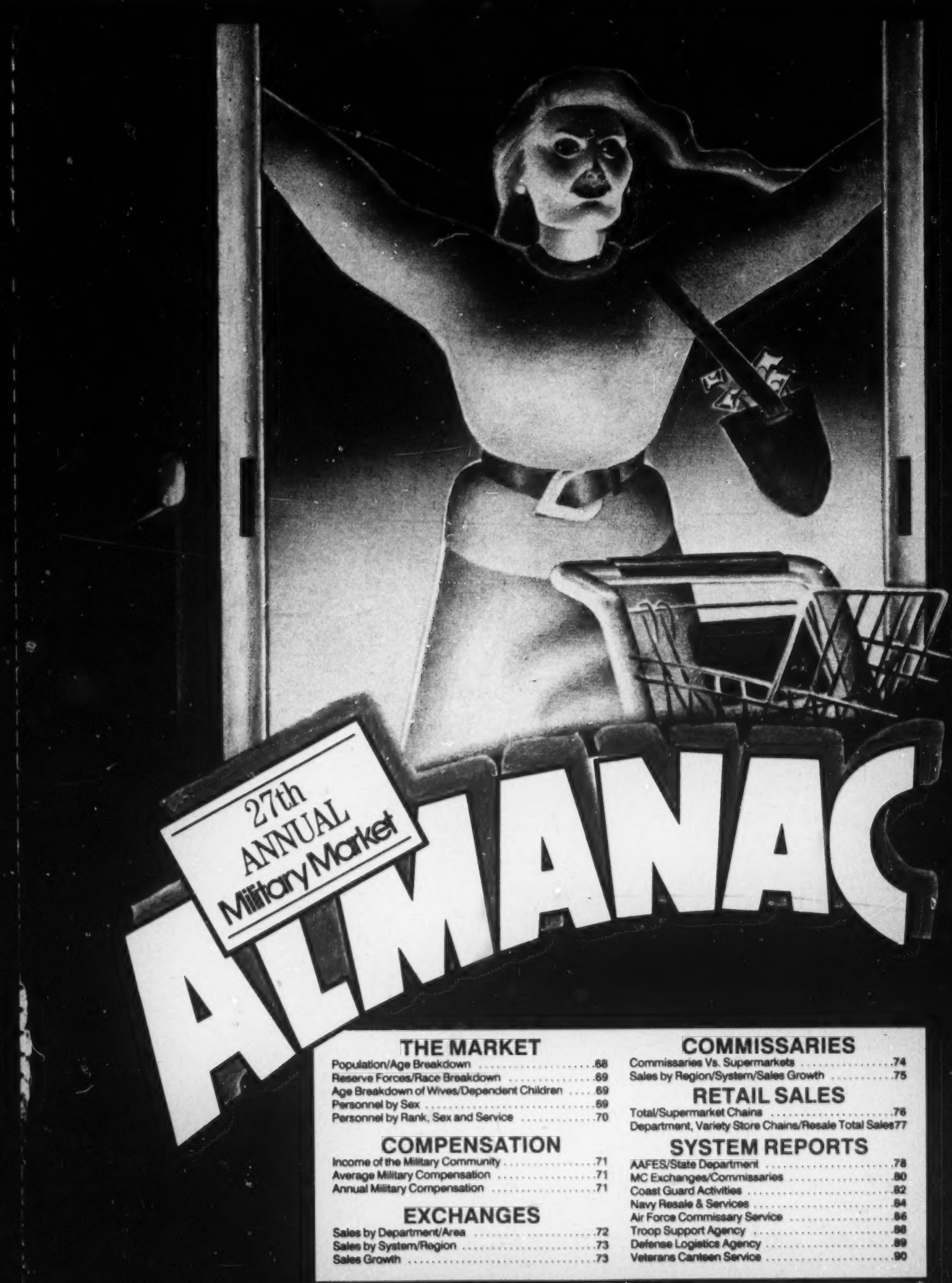
MILITARY MARKET, (USPS 911-580): Published 12 times a year by the Army Times Publishing Co., a division of The Times Journal Co., Springfield, Va. 22159-0210. Single copies: $4; except January Buyers Guide, July Almanac & Directory: $10 each. Subscriptions: 1 year, $35 (outside U.S., $45.); 2 years, $60 (outside U.S., $75); 1 year, outside U.S. via airmail, $180. Second class postage paid at Springfield, Va. and additional mailing offices. **POSTMASTER:** Send address changes to Military Market Magazine, Springfield, Va. 22159-0210.



THE MARKET

Population/Age Breakdown 68
Reserve Forces/Race Breakdown 69
Age Breakdown of Wives/Dependent Children 69
Personnel by Sex 69
Personnel by Rank, Sex and Service 70

COMPENSATION

Income of the Military Community 71
Average Military Compensation 71
Annual Military Compensation 71

EXCHANGES

Sales by Department/Area 72
Sales by System/Region 73
Sales Growth 73

COMMISSARIES

Commissaries Vs. Supermarkets 74
Sales by Region/System/Sales Growth 75

RETAIL SALES

Total/Supermarket Chains 76
Department, Variety Store Chains/Resale Total Sales 77

SYSTEM REPORTS

AAFES/State Department 78
MC Exchanges/Commissaries 80
Coast Guard Activities 82
Navy Resale & Services 84
Air Force Commissary Service 86
Troop Support Agency 88
Defense Logistics Agency 89
Veterans Canteen Service 90

1986 ALMANAC

. . . the market

Population of the Military Community*

Active Duty		
Active Duty Males	1,983,769	16.2%
Active Duty Females	213,500	1.8%
Total Active Duty Personnel	2,197,269	18.0%
Spouses of Active Duty Military	1,184,695	9.7%
Children of Active Duty Military	1,687,716	13.8%
Other Dependents of Active Duty	75,077	0.6%
Total Active Duty Community	**5,144,757**	**42.1%**
Retirees		
Retired Military**	1,479,940	12.1%
Spouses of Retired Military	1,264,989	10.3%
Children of Retired Military	1,746,757	14.3%
Total Retired Military Community	**4,491,688**	**36.7%**
Reservists		
Reservists in Paid Status		
Males	993,026	8.1%
Females	110,181	0.9%
Spouses of Reservists	694,600	5.7%
Children of Reservists	799,100	6.5%
Total Paid Status Reservists Community	**2,596,907**	**21.2%**
Total Military Community	12,233,352	100.0%

*Includes U.S. Coast Guard in Active Duty, Reserves and Retired.
**Includes 106,173 families receiving survivors benefits.
Source: Directorate for Information Operations and Reports, Department of Defense.
As of March 31, 1986.

Age Breakdown of Active Duty Military

	Men	Women	All
UNDER 21 YEARS	18.2%	17.5%	18.2%
21 - 25 YEARS	34.2%	41.4%	34.9%
26 - 29 YEARS	16.5%	20.9%	16.8%
30 - 35 YEARS	15.9%	15.3%	15.9%
36 - 39 YEARS	8.6%	3.4%	8.1%
40 YEARS AND OVER	6.6%	1.5%	6.1%

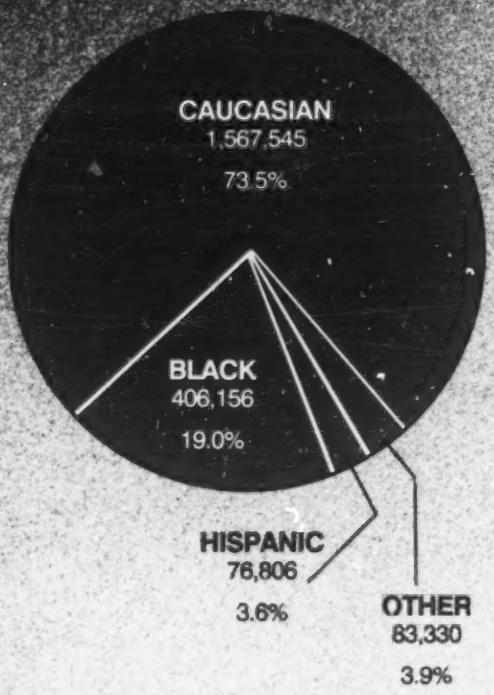
As of September 30, 1985
Include Coast Guard
formation Operations & Reports.

Reserve Forces in Paid Status

ARMY NATIONAL GUARD	
Officers	42,340
Enlisted	397,612
Total	**439,952**
ARMY RESERVE	
Officers	53,860
Enlisted	238,220
Total	**292,080**
NAVAL RESERVE	
Officers	23,303
Enlisted	106,529
Total	**129,832**
MARINE CORPS RESERVE	
Officers	3,382
Enlisted	38,204
Total	**41,586**
AIR NATIONAL GUARD	
Officers	13,037
Enlisted	96,361
Total	**109,398**
AIR FORCE RESERVE	
Officers	15,615
Enlisted	59,599
Total	**75,214**
DoD RESERVES (Total)	
Officers	151,537
Enlisted	936,525
Total	**1,088,062**
COAST GUARD RESERVE*	
Officers	1,557
Enlisted	11,033
Total	**12,590**
TOTAL (All Services)	
Officers	153,094
Enlisted	947,558
Total	**1,100,652**

As of September 30, 1985.
*The Coast Guard is part of the Department of Transportation.
Source: Defense Manpower Data Center.

Race Breakdown of Active Duty Military



Total active duty: 2,133,837 as of March 1985
Does not include Coast Guard.
SOURCE: Department of Defense.

Age Distribution of Wives of Active Duty Military

Age Group	Number	Percent
UNDER 20 YEARS OF AGE	124,393	10.5
20-24 YEARS	414,643	35.0
25-29 YEARS	254,709	21.5
30-34 YEARS	222,723	18.8
35-39 YEARS	118,470	10.0
40 YEARS AND OVER	49,757	4.2
TOTAL WIVES OF ACTIVE DUTY MILITARY	1,184,695	100.0

As of March 31, 1986.
Source: DoD and DoD/Rand Surveys.

Age Distribution of Dependent Children of Active Duty Military Personnel

Age Group	Number	Percent
UNDER 5 YEARS OF AGE	475,936	28.2
5-9 YEARS	644,707	38.2
10-14 YEARS	347,669	20.6
15-17 YEARS	140,081	8.3
18-20 YEARS	79,323	4.7
TOTAL DEPENDENT CHILDREN	1,687,716	100.0

As of March 31, 1986.

Active Duty Military Personnel by Sex

	CY 1985	CY 1984	CY 1983	CY 1982	CY 1981
Total Active Duty	2,190,016	2,176,628	2,123,349	2,108,612	2,122,320
Percent Male	90.2%	90.6%	90.7%	91.0%	91.2%
Percent Female	9.8%	9.4%	9.3%	9.0%	8.8%

As of September 30th for each year listed.
SOURCE: DoD & Department of Transportation.

1986 ALMANAC . . . the market

Active Duty Military Personnel by Rank, Sex and Service

	Army		Navy		Marine Corps		Air Force	
RANK	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
O7-O1O	395	3	247	2	65	0	336	2
O-6	4,714	94	3,602	97	632	9	5,476	92
O-5	10,525	369	7,406	358	1,612	29	12,165	383
O-4	15,908	1,302	11,908	1,231	2,976	64	18,766	1,189
O-3	30,682	4,553	19,307	2,741	5,791	202	35,326	5,553
O-2	10,838	1,992	9,150	1,330	4,618	196	12,340	2,208
O-1	10,301	2,227	8,988	1,129	2,410	110	12,064	2,500
WARRANT OFFICERS	15,296	288	3,136	25	1,417	44	0	0
TOTAL OFFICERS	98,859	10,828	63,744	6,913	19,521	654	96,473	11,927
ENLISTED								
E-9	4,449	19	4,448	13	1,300	10	4,871	20
E-8	15,116	193	9,636	67	3,670	37	9,702	62
E-7	50,961	1,566	31,919	654	9,094	146	36,972	618
E-6	81,354	5,653	73,908	4,004	14,971	562	54,227	3,142
E-5	103,009	14,129	92,849	10,430	23,021	1,742	96,351	14,709
E-4	168,429	24,791	91,357	11,337	29,976	2,300	99,457	16,740
E-3	85,184	10,809	76,956	11,080	52,381	2,533	83,661	13,695
E-2	42,492	4,885	36,425	3,991	21,397	1,235	25,698	4,460
E-1	47,645	5,873	32,618	3,752	12,999	476	20,078	4,140
TOTAL ENLISTED	598,639	67,918	450,116	45,328	168,809	9,041	431,017	57,586
CADETS & MIDSHIPMEN	4,042	501	4,242	362	0	0	3,964	548
GRAND TOTAL	701,540	79,247	518,102	52,603	188,330	9,695	531,454	70,061

	Total DoD			Coast Guard		Total All Services		
RANK	Male	Female	Total	Male	Female	Male	Female	Total
OFFICERS								
O7-O1O	1,043	7	1,050	34	0	1,077	7	1,084
O-6	14,424	292	14,716	353	1	14,777	293	15,070
O-5	31,708	1,139	32,847	701	0	32,409	1,139	33,548
O-4	49,558	3,786	53,344	1,007	19	50,565	3,805	54,370
O-3	91,306	13,049	104,355	1,623	48	92,929	13,097	106,026
O-2	36,946	5,726	42,672	1,062	89	38,008	5,815	43,823
O-1	33,763	5,966	39,729	533	63	34,296	6,029	40,325
WARRANT OFFICERS	19,849	357	20,206	1,446	1	21,295	358	21,653
TOTAL OFFFICER	278,597	30,322	308,919	6,759	221	285,356	30,543	315,899
ENLISTED								
E-9	15,068	62	15,130	312	0	15,380	62	15,442
E-8	38,124	359	38,483	515	1	38,639	360	38,999
E-7	128,946	2,984	131,930	2,742	18	131,688	3,002	134,690
E-6	224,460	13,361	237,821	5,223	163	229,683	13,524	243,207
E-5	315,230	41,010	356,240	5,132	397	320,362	41,407	361,769
E-4	389,219	55,168	444,387	7,383	618	396,602	55,786	452,388
E-3	298,182	38,117	336,299	4,035	464	302,217	38,581	340,798
E-2	126,012	14,571	140,583	3,056	445	129,068	15,016	144,084
E-1	113,340	14,241	127,581	676	88	114,016	14,329	128,345
TOTAL ENLISTED	1,648,581	179,873	1,828,454	29,074	2,194	1,677,655	182,067	1,859,722
CADETS & MIDSHIPMEN	12,248	1,411	13,659	629	107	12,877	1,518	14,395
GRAND TOTAL	1,939,426	211,606	2,151,032	36,462	2,522	1,975,888	214,128	2,190,016

All data as of September 30, 1985.

. . . compensation

Income of the Military Community FY 1986

Active Duty Military, Total	**$68.5 billion**	**Retired Military, Total**	**$52.3 billion**	**Reservists in Paid Status, Total**	**$32.5 billion**
Military Pay, Allowances, Benefits	60.9 billion	Pensions	18.4 billion	Employment Income	22.0 billion
"Moonlighting" & Working Spouses Income	7.6 billion	2nd Career Jobs	24.7 billion	Working Spouses' Income	5.9 billion
		Working Spouses' Income	9.2 billion	Reserve Training Pay	4.6 billion
Total Income of Military Community	**$153.3 billion**				

SOURCE: DoD Personnel Budget for FY 1986 and Department of Commerce and Bureau of the Census data for non-government income of families in the military community.

1986 Active Duty Military Annual Compensation

Average Military Compensation	**$27,682***
Regular Military Compensation	19,482
Basic Pay	14,083
Basic Allowance for Quarters	1,773
Variable Housing Allowance	468
Station Allowance Overseas	216
Subsistence Allowance & Costs	1,567
Federal Income Tax Advantage	1,375
Special Pays & Consumption Advantage	$8,200
Special Allowance	407
Special and Incentive Pays, Bonuses	754
Commissary and Exchange Savings	1,005
Free/Reduced Cost Medical, Dental Care	1,758
Retirement Credit, Current Years' Service	3,343
Social Security Payments (Government Contributions)	932

*Annual rate, including value of fringe benefits and consumption advantage. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

SOURCE: DoD Personnel Budget for FY 1986

Average Military Compensation For the Last Nine Years

FY 1978	$15,367
FY 1979	16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902
FY 1985	26,915
FY 1986	27,682

SOURCE: DoD Military Personnel Budget for the Years Shown

1986 ALMANAC

. . . exchanges

CY 1985 Military Exchange Sales by Department and by Area

Department	Domestic	%	Overseas	%	Worldwide	%
Automotive[1]	93,644,798	2.5	40,847,585	2.0	134,492,383	2.3
Gasoline[2]	399,283,930	10.6	143,260,024	7.0	542,543,954	9.4
Automotive Labor[3]	15,765,803	0.4	3,524,343	0.2	19,290,146	0.3
Tobacco Products, including Vending	299,364,925	8.0	67,923,466	3.3	367,288,391	6.3
Military Uniforms including DPSC Mdse.	215,303,740	5.7	56,994,916	2.8	272,298,656	4.7
Food & Juices	222,161,567	5.9	135,524,287	6.6	357,685,853	6.2
Beer & Sodas	175,962,130	4.7	99,119,302	4.8	275,081,432	4.7
Health & Beauty Aids	195,287,993	5.2	90,085,749	4.4	285,373,742	4.9
Cosmetics & Frangrances	86,261,494	2.3	29,108,799	1.4	115,370,293	2.0
Jewelry, including AAFES Semi-Precious	76,063,484	2.0	59,117,919	2.9	135,181,402	2.3
Watches	39,399,001	1.0	19,817,322	1.0	59,216,323	1.0
Stationery	60,523,584	1.6	21,600,026	1.0	82,123,610	1.4
Greeting Cards & Paper Goods	55,889,843	1.5	20,824,428	1.0	76,714,271	1.3
Books & Periodicals	61,151,167	1.6	25,890,025	1.3	87,041,192	1.5
Men's Outerwear	83,423,865	2.2	39,499,337	1.9	122,923,202	2.1
Men's Furnishings	151,681,051	4.0	61,228,827	3.0	212,909,878	3.7
Women's Outerwear	112,866,630	3.0	54,428,695	2.7	167,295,325	2.9
Women's Furnishings	89,280,198	2.4	26,913,417	1.3	116,193,615	2.0
Boyswear	38,663,125	1.0	18,864,042	0.9	57,527,167	1.0
Girlswear	31,697,809	0.8	17,458,802	0.9	49,156,611	0.8
Infants' & Toddlers' Wear	47,079,418	1.3	25,861,961	1.3	72,941,379	1.3
Footwear	121,372,918	3.2	51,651,900	2.5	173,024,818	3.0
Linens & Domestics	65,749,762	1.8	34,329,464	1.7	100,079,226	1.7
Yardage & Sewing Notions	18,415,551	0.5	14,996,497	0.7	33,412,048	0.6
Dinnerware & Flatware	19,112,557	0.5	11,887,048	0.6	30,999,605	0.5
Kitchenware	42,241,242	1.1	19,825,233	1.0	62,066,475	1.1
Giftware	41,724,485	1.1	32,115,612	1.6	73,840,098	1.3
Cleaning Supplies	48,913,102	1.3	23,766,903	1.2	72,680,005	1.3
Traffic & Major Appliances	98,826,853	2.6	66,016,915	3.2	164,843,767	2.8
Furniture & Home Furnishings	33,133,532	0.9	56,188,286	2.7	89,321,818	1.5
Hardware & Pet Supplies	82,646,604	2.2	21,322,590	1.0	103,969,194	1.8
Luggage	32,299,093	0.9	12,114,550	0.6	44,413,643	0.8
Garden/Patio Furniture	92,835,832	2.5	13,282,839	0.6	106,118,671	1.8
Sporting Goods	59,640,138	1.6	26,903,657	1.3	86,543,795	1.5
Photo Finishing	27,195,791	0.7	6,737,603	0.3	33,933,394	0.6
Photography & Optical[4]	82,441,953	2.2	65,315,276	3.2	147,757,230	2.5
Toys, Games & Bicycles	68,608,641	1.8	45,448,665	2.2	114,057,306	2.0
Consumer Electronics	218,404,032	5.8	435,141,366	21.2	653,545,398	11.3
Recorded Sound & Video	48,155,774	1.3	54,656,921	2.7	102,812,696	1.8
Total Retail Departments[5]	3,752,473,415	100.0	2,049,594,597	100.00	5,802,068,012	100.0

[1] AAFES Retail Dept.#1 & Navy Service Dept.J4. [2] AAFES Retail Dept.#2 & Navy Service Dept.J3. [3] AAFES Retail Dept.#3 & Navy Service Dept.J2. [4] AAFES Retail Dept.#5 & Navy Service Dept.K2.

[5] Sales commissions indicated in footnotes 1-4 above totals do not include income from services such as cafeterias, snack bars, beauty and barber shops, for commissions. No vending sales are included except cigarette vending, as noted above.

Research Department, Army Times Publishing Company.

Percent of Exchange Sales by System Worldwide CY 1985

	Worldwide Sales	Percent of Total Sales
AAFES	$4,918.0	68.0
NAVY	1,645.8	22.7
MARINE CORPS	413.6	5.7
COAST GUARD	77.7	1.1
VCS	183.0	2.5
TOTAL	$7,238.1	100.0

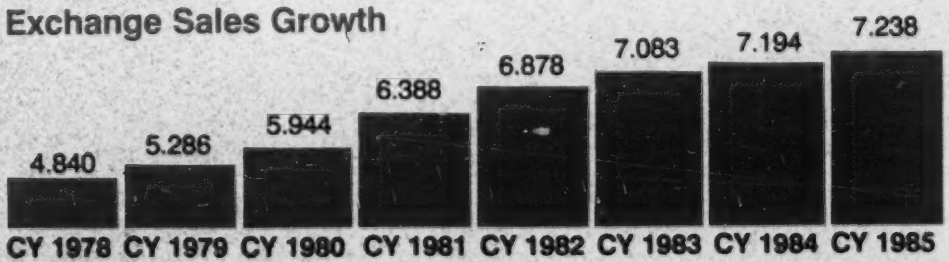
$ in millions.

Exchange Sales by Region

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
AAFES	$3,008.9	61.2%	$1,909.1	38.8%	$4,918.0
NAVY	1,320.5	80.2	325.3	19.8	1,645.8
MARINE CORPS	386.6	93.5	27.0	6.5	413.6
COAST GUARD	72.0	92.7	5.7	7.3	77.7
VCS	183.0	100.0			183.0

$ in millions.

Exchange Sales Growth



$ in billions.
SOURCE: Resale systems' headquarters.

1986 ALMANAC . . . commissaries

Comparison of Operating Ratios: Domestic Military Commissaries, by Branch of Service, Versus Civilian Supermarkets

(At Cash Register Prices; No Adjustment Has Been Made For The Average 24 Percent Lower Commissary Price Level)

Operating Ratio	Army Commissaries	Air Force Commissaries	Navy Commissaries	Combined Military Commissaries	Civilian Supermarkets	Military Index
Average Weekly Sales Per Store	$359,811	$385,927	$237,286	$337,292	$175,900*	192
Average Number of Hours Open for Business Per Week	43.4	46.5	43.2	44.6	111**	40
Average Amount Per Sales Transaction	$47.72	$44.20	$45.11	$45.51	$14.86**	306
Average Number of Square Feet of Sales Area	16,493	17,089	14,252	16,131	21,590**	75
Average Weekly Sales Per Square Foot of Sales Area	$16.54	$17.25	$14.24	$16.21	$7.25**	224
Average Number of Checkouts	13	12	9	11.4	7.7**	148
Average Weekly Sales Per Cash Register	$25,664	$28,118	$22,645	$25,878	$20,537**	126
Average Number of Items Stocked	5,750	8,469	5,792	6,916	14,343**	48
Average Percent – Meat Sales	14.1	17.1	17.7	16.2	19.2***	84
Average Percent – Produce Sales	4.7	5.4	6.8	5.5	9.0***	61
Average Percent – Grocery Sales	81.2	77.5	75.5	78.3	71.8***	109

Sources: For commissaries: Reports received from headquarters offices of the three military commissary systems shown.
Data is for the 2nd quarter of the calendar year 1985. Surcharge has not been included.
For Civilian Supermarkets: *"The Food Marketing Industry Speaks;" Food Marketing Institute, 1985. **53rd Annual Report of the Grocery Industry;" Progressive Grocer, April 1986. ***1985 Supermarket Sales Manual;" Progressive Grocer, July 1985. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.

Commissary Sales by Region CY 1985

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
AIR FORCE	$1,880.7	86.4%	$296.3	13.6%	$2,177.0
ARMY	1,260.2	75.7	403.7	24.3	1,663.9
NAVY	750.3	89.1	91.9	10.9	842.2
MARINE CORPS	169.8	98.2	3.1	1.8	172.9
COAST GUARD	6.6	100			6.6
STATE DEPARTMENT			55.0	100	55.0

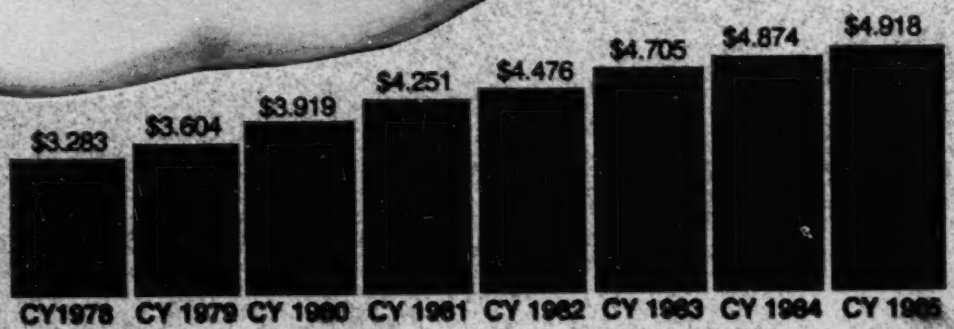
$ in millions.

Percent of Commissary Sales By System Worldwide CY 1985

	Worldwide Sales	Percent of Total Sales
AIR FORCE	$2,177.0	44.3
ARMY	1,663.9	33.9
NAVY	842.2	17.1
MARINE CORPS	172.9	3.5
COAST GUARD	6.6	0.1
STATE DEPARTMENT	55.0	1.1
TOTAL	$4,917.6	100.0

$ in millions.

Commissary Sales Growth

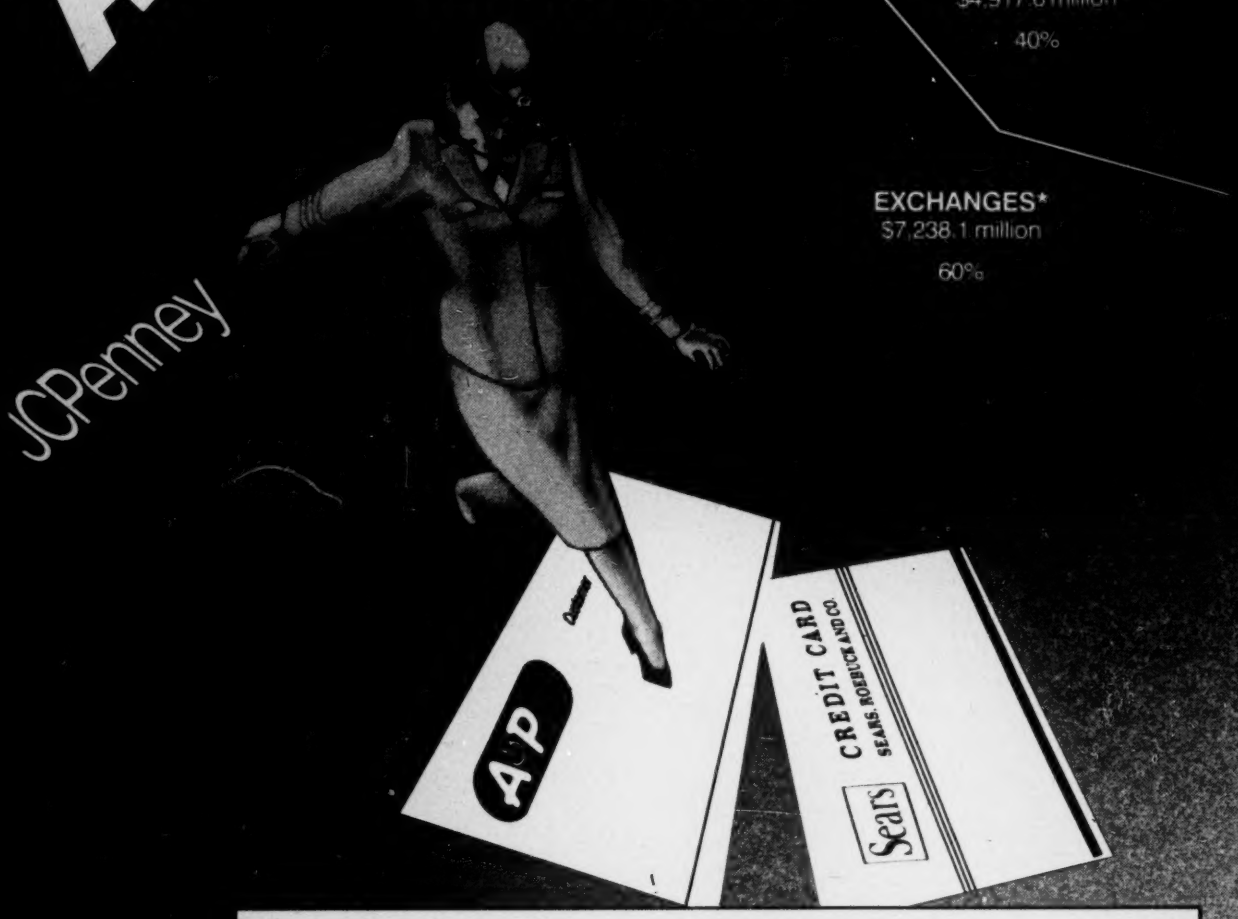


$ in billions

SOURCE: Resale sy[illegible]ms' headquarters.

1986 ALMANAC

. . . the market's retail sales



Largest Supermarket Chains

	1985	1984		1985	1984
1 - Safeway	$19.7	$19.6	7 - Supermarkets General	5.1	4.3
2 - Kroger	17.1	15.9	8 - Albertson's	5.1	4.7
3 - American Stores	13.9	12.1	**9 - Worldwide Commissaries**	**4.9**	**4.9**
4 - Lucky	9.4	9.2			
5 - Winn-Dixie	7.8	7.3	**10 - Domestic Commissaries**	**4.1**	**4.0**
6 - A & P	6.6	5.9			

$ in billions.

SOURCE: Civilian supermarket sales provided by *Progressive Grocer*. Military commissary sales are as reported by the headquaeters offices of the various commissary systems. Commissary sales include the 5 percent surcharge.

Largest Department/Variety Store Chains

	1985	1984		1985	1984
1 - Sears	$24.4	$24.6	**7 - Worldwide Military Exchanges**	**7.2**	**7.2**
2 - K mart	22.4	21.1	8 - Woolworth	6.0	5.7
3 - J.C. Penney	13.8	13.4	9 - Montgomery Ward	5.4	6.5
4 - Dayton-Hudson	8.8	8.0	10 - May Department Stores	5.1	4.7
5 - Wal-Mart	8.4	6.4	**11 - Domestic Military Exchanges**	**5.0**	**4.9**
6 - Federated Department Stores	8.2	8.0			

$ in billions.

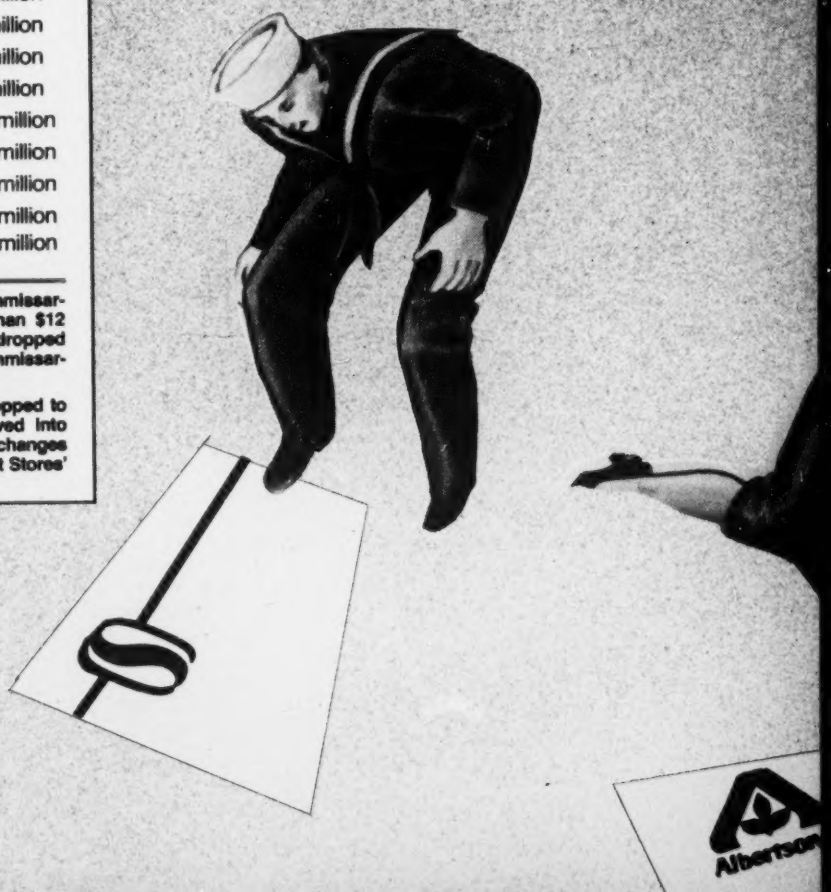
SOURCE: Sales of civilian department store chains are as reported by *"State of the Industry: Top 100 Chains," Chain Store Age, General Merchandise Trends,* June 1986. Military Exchange sales are as reported by the headquarters offices of the various exchange systems.

Combined Commissary & Exchange Sales

CY 1977	$7,454 million
CY 1978	$8,123 million
CY 1979	$8,890 million
CY 1980	$9,863 million
CY 1981	$10,640 million
CY 1982	$11,354 million
CY 1983	$11,789 million
CY 1984	$12,068 million
CY 1985	$12,155 million

Combined CY 1985 sales for commissaries and exchanges were more than $12 billion. Worldwide commissaries dropped to ninth place, while domestic commissaries remained in the No. 10 spot.

Worldwide military exchanges dropped to seventh place, as Wal-Mart moved into fifth place. Domestic military exchanges fell to No. 11 with May Department Stores' entrance into the top 10.



Army and Air Force Exchange Service

Looking ahead to the rest of this year, I can't help but be optimistic.

Despite disappointing results in FY 1985, the Army and Air Force Exchange Service is alive and well. Along with most U.S. retailers, our sales were "soft" at best; sales of $4.9 billion in '85 were roughly the same as for the prior year.

Even before FY 1985 ended, we began corrective action to become more competitive in the "everything on sale" marketplace of today. We're trimming costs and we have established the means to see a dramatic improvement in both sales and earnings.

Some specifics:

☐ Both the ConUS area exchanges and Headquarters AAFES have undergone major realignments in an effort to become more sales oriented.

At the area exchange level, we have reduced 300 overhead positions — most through normal attrition — for potential annual savings of $5 million.

At the same time, we set a goal of reducing personnel costs at Headquarters AAFES by 10% during 1986. Potential savings amounts to $4.6 million.

Both efforts to trim costs are well underway.

☐ Our major projects to upgrade the merchandise distribution system continue on target. At Giessen, West Germany, a $15 million investment is now 60 percent complete and is due to come on line by this November. Annual savings should total $5 million.

At Newport News, Va., we've broken ground for our new East Coast distribution complex. Once completed, this facility will replace existing antiquated facilities and produce annual savings of $26.3 million.

☐ By the end of this year we expect to have 131 main stores fully operational with point-of-sale scanning. We'll be closer than ever to automatic replenishment at store level.

☐ Credit card usage, begun in January, is having a positive effect. First quarter FY 1986 results were $50.1 million in credit sales — about 10 percent of retail sales. The average transaction is $55.

☐ In April 1986, retail sales year-to-date were up 5 percent over 1985, but earnings were at a record level — 6% percent above last year.

We're looking for faster and better service in our stores and we want to establish more shopping excitement for our customers. We'll be providing new or unique items faster, expanding our AAFES Brand program and increasing Extra Value items. We intend to always be in stock on the 20 percent of "basic" merchandise that make up 80 percent of our sales.

We're also looking at new ways of doing business, such as more vendor training and presentations in our stores, closer stock assortment reviews and faster rotation of merchandise through better receiving methods.

We're constantly on the lookout for new items or services that can be introduced to better serve our customers. The recent addition of computer and photo processing centers in many AAFES locations are good examples.

We've also redefined our sales promotion program to ensure that items promoted are more closely aligned with customers' needs.

These are all positive signs. But more important is that AAFES is becoming more customer-oriented. Our employees are becoming more knowledgeable, responsive and efficient.

Maj. Gen. John E. Long, USA
Commander

State Department Associations

Results of the Regional Conference

The Regional Association Managers conferences held in Mexico City, Bonn, Tokyo and Colombo have been extremely successful and informative. The conferences act as an arena for exchanges between my office and the attendees.

The participants from the regional post associations are managers, board members and embassy administrative officials, as well as interested embassy and association personnel.

With this mix of participants, the conferences prove to be an invaluable source of question and answer sessions, open discussions, small group interchanges and experience exchanges among peers.

My office provides guidance on State Department policy and regulations, as well as individual consultations on improving the daily operations, financial and managerial performance, personnel problems and conflicts between the board members and association personnel.

We also provide on-site training on computer accounting software applications for associations.

The overall impact of the conferences is very positive and greatly appreciated by the participants. After each conference, requests for their continuation are overwhelming, as each participant learns that their problems and concerns are worldwide, and not post specific.

Effects of Gramm-Rudman

With the even more stringent State Department budget constraints now in place as a result of Gramm-Rudman, my office's ability to provide on-site assistance to the associations, and to participate in any future Regional Association Managers conferences is severely restricted.

Until we are once again given funding for travel, our ability to provide on-site, individualized assistance, will be restricted.

Ravi Sikand
Director
Office of Commissary and Recreation Affairs
Department of State

Marine Corps Exchanges

Being the best buggy whip maker in the world gives one a sense of pride but at the same time evokes fear — pride at being the best, but fearful that the demand for your product is waning. So it is with Marine exchanges.

Our sales were up 1.4 percent last year, the best among the services, but hardly worth crowing about. Three successive years of flat sales for all service exchange systems gives real cause for concern. In retailing you seldom stay the same very long. You are either growing or you are dying. The exchanges have recently had injections of franchised fast food and credit, but sales have remained flat.

Let's hope when the going gets tough, the tough get going. We will be embarking on a three-pronged strategy: expand the services we offer, encourage a system-wide "won't be undersold" policy, and provide better customer service.

Enough on what had better happen. Here are a few facts as to what has happened . . .

Because of the short period of time that credit cards have been authorized, it is very difficult to determine what the ultimate effect of credit cards will be to Marine Corps exchanges that offer credit. Our total credit card sales for April were $1.4 million.

All Marine Corps exchanges in ConUS and Hawaii will be authorizing credit directly from the terminal and receiving authorization on a CPU to CPU configuration during the month of July 1986. It is anticipated that our overseas exchanges will be accepting credit cards by August 1986.

At present, we have a total of nine fast food outlets in operation. There are five Burger Kings, four McDonalds and one Wendy's. There are plans for six additional fast food operations.

As the majority of MCXs now have a computerized management information system installed, more timely sales information is available. Since we are decentralized in our procurement methods, the "local" buyers can work with the vendors using information pertinent to their own exchange, to better maintain stock assortments and inventory levels. This has proven successful in analyzing items procured via a *purchase order* with an assigned "SKU" number.

I emphasize the term "purchase order" because, unfortunately, it was found by looking at Fiscal Year 1985 inventory results that the majority of exchanges having a surplus inventory had inventory dollars in direct delivery contracted items which far exceeded their plan.

This year we will assign a special direct delivery vendor code to these items so that we will be better able to match inventory on hand and space allocated to the vendor with sales performance.

For Marine exchanges it is time to lead. We don't want to follow, and we sure as hell don't want to get out of the way!

Col. W.E. Irwin, USMC
Head
Exchange Service Branch
Marine Corps Exchange Service

Marine Corps Comissaries

The Marine Corps commissary sales in fiscal year 1985 were $163 million, which is an increase of 7.7 percent. This growth is on top of a 13.7 percent increase the previous year, which equates to a total two-year increase of 22 percent.

These increases are attributed to expanded commissary services, improved distribution systems, and reinforced patron awareness of commissary savings. The savings growth was accomplished through efficient use of the existing commissary assets, without any additional resources.

Our success, however, is beginning to reduce our ability to provide the best possible services. Recently, commissary operating hours were reduced to stay within authorized funding levels. Under the current austere resource environment, it is unlikely that commissaries will receive any additional resources.

To overcome the resource deficiency, we are constantly seeking ways to further improve commissary efficiency. One such way is to install a scanning system. We plan to equip all 15 Marine Corps commissaries with scanners within the next 12 months.

The Marine Corps continues to consolidate its independent commissaries into complexes. In fiscal year 1986, the commissaries at Quantico, Va., and Albany, Ga., are being complexed with the East Coast Commissary Complex at Camp Lejeune, N.C. Additionally, the Kaneohe Bay, Hawaii, commissary also joined the West Coast Commissary Complex at El Toro, Calif.

All the accounting, procurement, supply and data processing functions are now centralized at the complexes. These functions are supported by the Commissary Management Information System. We expect to award a new contract for the enhanced CMIS during the fourh quarter of fiscal year 1986. These initiatives for consolidation and a new information system should further improve commissary efficiency and effectiveness.

The commissary construction program is a high priority item. The Quanitco commissary is being expanded. A new store at Iwakuni, Japan, is expected to be completed in December 1986. Next year the Hadnot Point and New River commissaries will be renovated.

Brig. Gen. Joseph P. Hoar, USMC
Director
Facilities and Services Division
U.S. Marine Corps

Coast Guard

The Coast Guard directs both its non-appropriated fund activities resale program and its commissary program from its resale systems division at Coast Guard headquarters in Washington, D.C. The same office is also responsible for the service's appropriated-fund uniform stores.

All resale activities are operated under a decentralized management concept, which allows local commands to manage their own operations within a framework of headquarters policy guidance.

The two Coast Guard commissaries — one at Kodiak, Alaska, and the other at Governor's Island, N.Y. — had combined fiscal 1985 sales of $6,839,000. Although Kodiak saw a 9 percent increase, total commissary sales for the year were down 1.3 percent from 1984.

In the face of stiffening competition, we have been very pleased with the improved bottom line of our NAFA activities during the most recent fiscal year. Despite a sales increase of only 2 percent, fiscal 1985 net profits rose 11.5 percent (to 6.6 percent of sales) over those of the previous year. Cost control and reduction efforts at several larger units were major reasons for the gain.

Coast Guard exchanges began accepting credit cards in January, 1986, and currently have 22 locations where they can be used. While it is too early to determine the ultimate impact, credit cards account for less than 5 percent of total sales at locations which accept them, and it would be difficult to show that they have been directly responsible for any increase in sales.

In response to ever-increasing rate hikes, Coast Guard modified its NAFA insurance program at the beginning of 1986 and began covering a higher portion of risk through self-insurance. We expect the move will be beneficial in terms of both cost savings and safety awareness.

A number of construction and renovation projects are underway or on the horizon. Major rehabilitations were recently completed at our Boston and Cape Cod locations, and construction of a new exchange at our Aviation Training Center, Mobile, Ala. is also nearing completion.

Other projects scheduled for completion by the end of the year include: a new exchange/grocery complex in Cleveland, Ohio; a new building for our satellite exchange operation in Ft. Myers Beach, Fla.; and new exchanges at Base Miami Beach, Fla., Port Angeles, Wash., and Base Mobile, Ala.

Following completion of the new exchange/commissary complex in Kodiak, Alaska, and renovation and expansion of our exchange in Seattle late last year, sales improved nicely at both locations. We are hopeful that this year's facility improvements will receive similar positive reactions from customers.

Cmdr. J.C. Voden, USCG
Chief, Resale Systems Division
U.S. Coast Guard

1985 COAST GUARD EXCHANGE SALES

UNIT NAME	EXCHANGE	GROCERY	OTHER	TOTAL
ATC, MOBILE	1,753,335	6,792,426	403,599	8,949,360
AS, CAPE COD	2,719,830	4,087,354	1,228,664	8,035,848
STATION, ST. PETERSBURG	2,619,356	2,150,534	0	4,769,890
SPT CTR, KODIAK	3,436,227		1,039,635	4,475,862
COAST GUARD ACADEMY	3,758,568		614,294	4,372,862
AS, MIAMI	2,297,558	1,668,880	137,713	4,104,151
SPT CTR, NEW YORK	3,123,111		429,562	3,552,673
DISTRICT NINE	711,080	1,682,887	2,987	2,396,954
TRNG CTR, CAPE MAY	1,858,217		302,024	2,160,241
AS, BROOKLYN	1,994,809	5,820	34,088	2,034,717
BASE, MOBILE	1,389,426		288,863	1,678,289
BASE, SOUTH PORTLAND	1,464,465		0	1,464,465
KKH, HONOLULU	864,415		583,766	1,448,181
RES TRNG CTR, YORKTOWN	1,323,454		110,797	1,434,251
SPT CTR, BOSTON	1,219,257		0	1,219,257
AS, CLEARWATER	1,157,326		4,239	1,161,565
GROUP, ASTORIA	508,610	481,088	167,891	1,157,583
SPT CTR, ELIZABETH CITY	950,181		119,471	1,069,652
SPT CTR, ALAMEDA	877,955		154,792	1,032,747
BASE, MAYPORT	1,006,837		2,105	1,008,942
TRNG CTR, PETALUMA	740,985		196,086	937,071
SPT CTR, SEATTLE	856,781		77,331	934,112
SPT CTR, PORTSMOUTH	837,610		47,120	884,730
BASE, HONOLULU	739,727		97,223	836,950
CG YARD, CURTIS BAY	566,720		170,539	737,259
AS, TRAVERSE CITY	216,870	489,187	0	706,057
FT MYERS	595,083		0	595,083
BASE, GLOUCESTER CITY	593,816		0	593,816
BASE, KETCHIKAN	476,384		14,569	490,953
CAPE HATTERAS	489,086		0	489,086
GROUP, LONG ISLAND	484,267		0	484,267
ROCKLAND	479,982		0	479,982
AS, PORT ANGELES	366,653	94,268	17,600	478,521
STATION, JUNEAU	461,824		1,731	463,555
AS, NORTH BEND	74,512	337,328	0	411,840
BASE, MIAMI	382,926		16,237	399,163
BASE, ST.LOUIS	388,804		8,216	397,020
TOLEDO	369,122		0	369,122
GROUP, MUSKEGON	356,746		0	356,746
BASE, NEW ORLEANS	332,785		0	332,785
GROUP, SHINNECOCK	308,560		0	308,560
AS, SITKA	289,520		17,452	306,972
BASE, GALVESTON	293,454		6,505	299,959
BASE, CHARLESTON	262,175		16,669	278,844
GROUP, DETROIT	211,728		3,015	214,743
GROUP, BUFFALO	198,088		5,935	204,023
BASE, SAN PEDRO	152,396		13,130	165,526
SOUTHWEST HARBOR	165,398		0	165,398
BASE, SAULT ST. MARIE	160,337		0	160,337
BASE, MILWAUKEE	148,593		8,244	156,837
SANDY HOOK	99,334		0	99,334
MSO, PORTLAND	98,720		0	98,720
GROUP, HUMBOLDT BAY	83,580		2,462	86,042
SAND KEY	80,637		0	80,637
AS, SAN DIEGO	56,416		0	56,416
STATION, HOUSTON	45,708		7,058	52,766
BASE, FORT MACON	31,164		15,393	46,557
STATION, ALEXANDRIA	33,719		0	33,719
TOTAL DOMESTIC	**47,564,227**	**17,789,772**	**6,367,005**	**71,721,004**
AS, BORINQUEN	2,126,546	1,657,098	43,240	3,826,884
BASE, SAN JUAN	1,616,986		96,243	1,713,229
LORAN, ESTARTIT	44,431		0	44,431
LORAN, SELLIA MARINA	24,518		0	24,518
LORAN, LAMPEDUSA	20,357		0	20,357
LORAN, SYLT	18,456		0	18,456
LORAN, KARGABARUN	11,321		0	11,321
TOTAL OVERSEAS	**3,862,615**	**1,657,098**	**139,483**	**5,659,196**
SHIP STORES	240,994		81,364	322,358
TOTAL WORLDWIDE	**51,667,836**	**19,446,870**	**6,587,852**	**77,702,558**

SOURCE: U.S. COAST GUARD

Navy Resale and Services Support Office

NAVY EXCHANGES

Navy exchanges are implementing several programs that will benefit the personnel of the Navy who shop at their on-base stores.

☐ Credit cards: Implementation of credit card acceptance at ConUS exchanges has been completed, and contractual procedures for establishing credit card implementation at overseas exchanges later this summer are moving forward on schedule. In the first three months of operation, credit card sales were over $19 million.

Credit card transactions were initially accomplished by using electronic authorization devices that had response times of 40 to 60 seconds. In March, communications lines were installed that enabled electronic authorization of credit card purchases using electronic point of sale cash registers. This reduced validation time to about four seconds and enabled the customer to get faster service at the cash register. All Navy exchanges equipped with EPOS registers are using the quicker validation system.

☐ Concept shops: In the merchandising area, exchanges are establishing various concept type shops to appeal to specific segments of the customer population. Last March, women's petite and large size shops opened for the spring 1986 season at 19 ConUS exchanges. These 19 exchanges have annual women's wear sales of more than $750,000, and account for over 70 percent of ConUS women's wear sales.

The new special size shops were supported with open-to-buy dollars to provide for a continuous flow of new merchandise throughout the season. Buyers and visual merchandising representatives visited exchanges to help set up the departments with appropriate fixturing and adequate space allocation, in addition to advising on merchandise selections.

This fall, eight other exchanges with annual women's wear sales of over $500,000 will be added to the program. Exchanges participating in the program will then account for 85 percent of ConUS women's wear sales.

At those exchanges located in areas where there are larger concentrations of fleet personnel, young men's shops opened last March as well. These shops feature very contemporary styles in young men's fashions.

The other side of the coin from women's petite and large size shops are the big and tall men's shops, which will be opening this fall.

Big and tall sections will be available to customers at nine exchanges: New London, Conn., Newport, R.I.; Norfolk, Va.; Jacksonville, Fla.; Orlando, Fla.; southern California; San Francisco, Calif.; Seattle, Wash.; and Pearl Harbor, Hawaii. Open-to-buy funds have been allocated to these shops in order to keep them fully stocked with merchandise.

Research has shown that a need exists for better men's clothing in certain select areas where there are higher ranking personnel and retirees. Initially, three better men's clothing shops will be opened this fall at Moffett Field, Calif. and Alameda, Calif., and Little Creek, Va. If these shops prove successful, additional sites will be identified for implementation of the same concept next spring.

☐ Shoe program: Another area of merchandising encompasses our shoe program that was tested in Norfolk, Va., for six months at the four largest Navy exchanges in the Tidewater area.

Essentially, this program attempted to make an in-depth selection of basic shoe styles available to the customer. Features of the program included centralized inventory of 77 styles, automated stock control system for the exchanges and the distribution center, rapid replenishment through daily delivery from the distribution center to the store sales floors, increased sales clerks and specialized training, state-of-the-art fixtures, and early and appropriate markdowns.

The test was successful and resulted in sales increases of 15 to 25 percent. The shoe merchandising program is being expanded to each Field Support Office and major independent exchange in ConUS for immediate implementation.

☐ Fast food franchising: In 1985, a total of 33 McDonald's restaurants were in operation at Navy bases around the world. Although 19 of these outlets were open for only six months, sales by the McDonald's franchises exceeded plan by almost $4 million, with total sales of $36 million.

During the year, delivery orders for an additional 14 McDonald's were issued and six of these facilities have already opened this year, with the remainder scheduled to open later this summer. Delivery orders for 12 additional restaurants are expected to be issued. By the end of this year, 59 McDonald's will be open or under construction at Naval installations.

☐ Planogram program: The planogram program that was developed last year is now being implemented. Used extensively in commercial stores, planograms establish the number of facings and location of basic merchandise items and enable customers to locate the same merchandise in the same size store, even in different parts of the country. This is important to the highly mobile military customers that shop at exchanges. Industry input was obtained to ensure a wide range of product presentation to exchange customers rather than just presenting the basics of a category.

Implementation consists of these elements: (1) One high volume exchange in each region is reset and will serve as the prototype for the exchanges in the area. (2) The reset is accomplished by a NAVRESSO team working with regional and exchange personnel. (3) Field Support Offices and independent exchanges use the prototype exchange as the model for other resets.

Prototype implementation has been completed at Naval Submarine Base, New London, Conn. All other prototypes in ConUS will be completed by September, with nationwide implementation by the holiday season. FSOs will then develop a plan for implementation at overseas exchanges during 1987.

Procedures have been developed which permit monthly

revisions to the planograms to ensure that new products are integrated into the merchandise mix and slow-selling items are deleted.

☐ Private label: Sale of Navy Exchange brand private label items continued to exceed expectations. For the first quarter of 1986, sales were $3.9 million, and the projection for the entire year is $16.5 million, compared to $15 million in 1985. NAVRESSO is in the process of developing new packaging for the entire line of vitamins, and assortments are being reviewed to improve availability of the most popular items.

Panty hose is the latest item in the Navy Exchange Brand category. Other classifications being reviewed for possible inclusion in the private label program are men's and boys' hosiery and underwear, sheets and pillowcases, auto batteries, film and soda.

The Harbor View line of women's wear has sold over 25,000 pairs of slacks since they were introduced about a year ago. This past spring, a Harbor View short-sleeved casual blouse and additional styles of slacks were introduced and are selling at a rate of 10,000 units. Items in men's wear and children's garments are current being looked at for possible inclusion in the Harbor View line.

☐ Store of the future: Contemporary retail organizations are reviewing store concepts that would serve as models for their future facilities. NAVRESSO is in the process of developing its "store of the future" as well. This project will result in a conceptual image for new and renovated Navy exchanges.

A contract has been awarded for the design and development of prototype stores for 10,000, 25,000 and 40,000 square foot facilities that would include interior and exterior design, merchandise department layout and overall image projection.

Final selection is planned for the fall of this year. Once the prototype is defined, a store scheduled for renovation will then be selected to test the project. This is a research and development investment that is expected to benefit Navy exchanges and the Navy customer for years to come in terms of shopping convenience, productivity and the unique benefits offered by the Navy exchanges.

NAVY COMMISSARIES

☐ Meat department: As part of the Commissary Business Strategy, Navy commissaries are projecting a new image in the meat department. The availability of USDA Choice meat in a friendly, personalized shop is being emphasized. Commissaries are creating customer awareness of these "country style butcher shops" through in-store signing and publicity in base newspapers. The commissaries want to let customers know that there are good prices and quality meats at their commissaries.

To ensure that a full variety of meats is available at all times to our customers, market ready tray-pack beef has been introduced at Navy commissaries. Tray packs are vacuum-packaged, ready-to-merchandise retail cuts of fresh beef that require no processing at store level. When the vacuum pack is opened, the meat blooms into full color and the cuts are placed in trays for sale to customers.

Tray packs will be used to supplement boxed beef at the end of the day, on paydays, weekends and where meat department staffing is inadequate.

Based on the positive test results of tray-pack beef in Great Lakes and the Mechanicsburg region, usage of these retail cuts will be expanded throughout the system. Currently, 50 percent of all ConUS commissaries and overseas commissaries in Bermuda, Puerto Rico and Guantanamo Bay, Cuba, are carrying tray-pack beef.

The Jacksonville region began testing the sale of tray-pack pork three months ago. If the results of this test prove as successful as the tray-pack beef, implementation systemwide is likely to follow.

☐ Produce department: Another key element of the Commissary Business Strategy is to enhance customer convenience and satisfaction through improved merchandising. Since the produce department sets the tone for the entire shopping experience, emphasis is being placed on quality and freshness and the number of items stocked has been significantly expanded.

This "blue ribbon" theme will carry over into the grocery department where merchandising efforts are also being stepped up. At our larger commissaries, the number of grocery line items has reached the 7,000 mark, which is very close to the 8,000 item goal targeted for 1989.

☐ Budget reductions: The Gramm-Rudman-Hollings Budget Reduction Act has impacted on the Navy commissary program. As a consequence, two commissary regions have been consolidated, headquarters staffing has been cut and two studies have been cancelled.

These reductions are being absorbed without the need to lessen operating hours or close stores. While fiscal year 1987 budgetary reductions have not yet been determined, it is hoped that the cuts will not have a harmful effect on Navy customers.

☐ Military personnel: The elimination of all officer billets in the Navy commissary program, along with the loss of enlisted billets, continues.

Forty-nine officer positions were identified for replacement under the civilian substitution (CivSub) program. As of 1 June 1986, 90 percent of the officers had been replaced with qualified civilian managers. Senior enlisted personnel will be filling 12 of the positions. CivSub will be completed by 1 October.

Last year, 196 enlisted billets were identified for deletion in Navy commissaries and funds were requested to provide civilian replacements for these billets. Subsequently, an additional 143 enlisted billets were targeted for deletion, leaving a total of 834 enlisted billets in the program. NAVRESSO is adjusting its military staffing program to obtain optimum use of these billets.

☐ Frequent delivery: The frequent delivery system whereby a commercial distributor makes nightly deliveries in shelf stocking quantities directly to commissaries, was originally tested in the San Diego area beginning in December 1983.

In the San Diego region, one distributor is delivering 1,850 dry grocery items and 718 refrigerated items to nine Navy commissaries.

The Norfolk Field Support Office began FDS in March 1985. Currently, two distributors are delivering a total of 2,819 items to the five commissaries in the area. On 1 April 1986, a third distributor, providing 202 line items, was added.

The six commissaries in the Pensacola region are receiving direct deliveries of 2,196 items. While the major portion consists of 1,932 dry items, 264 refrigerated items are provided.

In February 1986, one distributor began making direct deliveries of 777 line items to two commissaries — Newport, R.I., and New London, Conn. — in the New En-

gland area. The same distributor is now delivering to the other five commissaries in the area. Three additional distributors, delivering a total of 1,667 items to each of the seven stores, will come on-line in the very near future.

In June, the Auburn/Seattle area will begin receiving direct deliveries of 935 items that are currently warehoused. In September, 872 dry items currently received by direct store delivery will go to frequent delivery. This will be followed by 181 chill items in November and 548 freeze items in January 1987.

☐ Scanning: Scanning at Navy commissaries is moving along swiftly. Installation of front-end scanning in ConUS, Alaska and Hawaii commissaries has been completed. Electronic scanning registers have already been installed in Yokosuka, Japan, and Roosevelt Roads, Puerto Rico, and implementation at other overseas locations will be completed by October 1986.

Scanning has eliminated the need for the labor-intensive price-marking of individual items. Store personnel, freed from this task, can be used for more directly related customer services such as shelf stocking and front-end operations. Scanning also speeds up the checkout process and ensures the accuracy of pricing. In the not too distant future, scanning will be used for the automatic replenishment of store inventories.

☐ Automation: NAVRESSO is working on the development of the most modern and efficient bill paying system in the Navy with the merger of the Automated Retail Merchandising System (ARMS) and the Automated Commissary System (ACS).

The merger of these two programs into a common package is progressing. Equipment is in place at the Jacksonville Field Support Office, the prototype site, where the warehousing module is being tested. The direct store delivery module will be completed next, followed by the bill paying module.

User specifications for bill paying are completed and have been tentatively approved by the Comptroller of the Navy. The system includes mechanized control of all purchase documents, matching of invoices and the use of telecommunications to forward certified documents to NAVRESSO for payment.

With these and other programs currently being developed, the Navy exchanges and commissaries continue to explore new ways to make our customers completely satisfied with their exchange and commissary.

Rear Admiral Donald E. Wilson, SC, USN
Commander
Navy Resale and Services Support Office

Air Force Commissary Service

Model Installations Program

Innovative — that's what we have to be in the coming year so we can continue providing the high level of service our patrons have come to expect.

One of the most innovative ideas around today is the DOD's experimental Model Installation Program. Since September 1985, when we started, we've allowed 10 participating stores to waive AFCOMS-levied requirements after coordinating the change with their respective region commander or director.

Recently, we added the South Central Region in the program as a model region.

The whole idea is to remove any artificial encumbrances to running our stores. Many regulatory requirements may be outdated or just don't make sense anymore. Our job is to provide service, not necessary administrative tasks that detract from our primary mission.

As we eliminate inefficient tasks, our people have a lot more time to pump back into more productive patron-oriented initiatives.

It's a dynamic program that offers our managers the flexibility and authority to excell. Increasing our efficiency and productivity through the imagination and creativity of all our employees is the key to AFCOMS' future.

Contracting-Out

The contracting of nonessential military operations in our stores is another innovative idea that is paying big dividends.

When we started the program in 1979, with cost comparison studies for shelfstocking and custodial services, we had no idea it would streamline our operations so much.

It was so successful in improving our store productivity and lowering our operating costs that we expanded it in 1984 and 1985 to include some of our smaller stores.

These innovative contracting efforts are literally allowing us to do more with less — something all of us will have to get used to.

While the balanced budget act did trim $5 million from our operations and maintenance funds, we've managed to keep the effects on our shoppers to a minimum. Despite the cuts, we're even more committed to providing the excellent commissary service which has become an AFCOMS trademark.

ACOS

We're setting off in many new directions in the information systems area and fine-tuning our Automated Commissary Operation System and scanning programs. The results will benefit both AFCOMS and the military resale system with less paperwork — something we've taken a strong stand against.

The ACOS system has been operational at every region except Southeast since October 1985. Lackland was the first store to receive ACOS when it came on line April 1. Offutt and Maxwell AFBs are next on the list and should be operational by August.

ACOS' massive database should carry us well into the future, ready to meet the logistic challenges inherent with the grocery industry. Our people will be linked to every phase of store operations, from day-end reports to keeping track of inventory and charge sales. We'll also have instantaneous cross-feed between stores, regions and headquarters.

Personnel Development

Many freewheeling and creative ideas were expressed

continued on page 93

Troop Support Agency

Thus far in Fiscal Year 1986, the Army Troop Support Agency has had a productive and successful year, and the future promises to be even more progressive and challenging. Progressive because TSA is marching ahead with several major programs that will dramatically affect commissary operations and improve customer service. Challenging because we must achieve these goals while considering possible legislative actions affecting funding.

Some of these efforts and challenges include:

☐ Scanning: Under a contract with NCR Corp., TSA has been installing scanning systems in four commissaries a month since acceptance of the first NCR system last September.

As of the end of June 1986, 37 commissaries have been equipped through this contract. Counting the four commissaries that had scanning systems before the contract, we now have this technology operating on 547 checkouts, or 43 percent of our total checkouts worldwide.

Because of recent budget cuts, for the remainder of this year TSA will install scanning in only two to three commissaries a month. However, as we begin installing systems in the European Commissary Region next year, this rate will increase to as many as four commissaries a month.

The NCR contract includes a government option to extend scanning to all commissaries and annexes worldwide. If fully exercised, the option would not be completed until 1990.

☐ Commissary automation: In addition to scanning, I am also pursuing other avenues to automate commissary operations.

Last year, TSA contracted for an information systems plan which identified our critical information needs, users and suppliers, and their interrelationships. This year, we took another step forward by contracting for an information architecture study which defined the information flow among TSA's organizational levels (headquarters, regions and commissaries) and recommended the automation architecture to support it.

Our next step is to develop an implementation plan with commissary-level automation as the top priority. This plan will take advantage of the latest technology developed in support of grocery operations.

We are also awaiting the results of the Defense Personnel Support Center's test of Electronic Data Interchange as a means to transmit Universal Communications Standard information. The success of the DPSC test will determine the feasibility of using EDI/UCS in the Army commissary system.

TSA anticipates EDI will create a true paperless environment for orders and receipts.

These enchancements, along with automated meat market operations, bar coding for inventory and shelf stocking, and other automation initiatives now under way, provide the building blocks for an integrated system to manage and control all aspects of commissary operations.

The Army Commissary Automated System, or ACAS, will take these building blocks at the commissary level and integrate them with region and headquarters systems to allow maintenance of accountability, electronic data transmissions with commercial and government agencies and, most importantly, better customer service.

☐ Stock commonality: To standardize commissary merchandising, in early FY 85 I set a goal for all commissary regions to attain at least a 25 percent commonality of stockage. This effort ensures that our customers can buy the same basic, nationally-distributed products at any Army commissary around the world.

I am pleased to note that TSA achieved this goal in early FY 85.

☐ Customer savings program: TSA's customer savings program, the basic foundation for our merchandising/marketing efforts, has grown at an astounding rate. During the last two quarters of FY 85, customer savings increased 33 percent over the previous corresponding quarters.

The total savings from Voluntary Price Reductions and coupons for these three quarters — $57.1 million — represents 5.8 percent of total grocery sales for the period. These results are indicative of TSA's continuing commitment to improve the commissary benefit.

☐ Commissary construction: However, savings alone are not enough. To fully achieve our goals, we must give our customers state-of-the-art facilities.

Currently, the average age of Army commissaries worldwide is about 30 years, and TSA is doing everything possible to reduce that number. Through the third quarter, FY 86, four new commissaries were completed and opened at Sagamihara, Japan; Cairo, Egypt; Fort Jackson, S.C.; and Fort Meade, Md.

We currently have six projects under construction. Three are for new facilities at Hanau, Germany; Fort Lewis, Wash.; and Yongstan, Korea. Two are expansion and modernization projects at Forts Bragg, N.C., and Rucker, Ala. One is conversion of a warehouse to a commissary at Lexington-Bluegrass, Ky.

There are also 18 projects in various stages of design. These are located at Forts Drum, N.Y.; Irwin, Calif.; Leonard Wood, Mo.; Ord, Calif.; and Polk, La.; Carlisle Barracks, Pa.; Yuma Proving Ground, Ariz.; Presidio of San Francisco, Calif.; and at Fuerth, Patch Barracks, Robinson Barracks, Dexheim, Garlstedt, Vilseck, Wuerzburg, Zweibruecken, Erlangen and Aschaffenburg, Germany.

An additional 33 projects are programmed for construction through FY 92.

☐ Frequent delivery test: At the end of January 1986, the Fort Lewis, Wash., commissary concluded a six-month test of the frequent delivery system. The test involved 13 companies and more than 900 perishable and semiperishable products. The results of this test were outstanding, with two exceptions, as noted below.

Frequent delivery *advantages* included fewer not-in-stocks and faster recovery of those that were; reduced inventory levels and the stock fund dollars needed to maintain them; reduced double handling of stock from the remote warehouse to the commissary; and elimination of excess stock.

Specifically, the NIS rate dropped from 22 line items a day for the three months before the test to just three items a day during the test. Also, average monthly sales increased from $243,152 to $272,226.

The *drawbacks* of this delivery system were increased paperwork at both commissary and region levels, and cumbersome receiving procedures requiring many additional man-hours of work to verify deliveries.

So, TSA went back to the drawing board to develop quality assurance evaluation procedures to solve the problem. I have since authorized a 90-day frequent delivery test in which shipments are recorded by total case count instead of individual line item count.

☐ EURCOR reorganization: The European Commissary Region reorganization is being implemented incrementally as soon as the new automated data processing/telecommunications system can be made available to each district.

Computer hardware has been installed in the Frankfurt, Giessen, Stuttgart and Bamberg districts. The Heidelberg and Munich districts are scheduled to get the hardware this calendar year.

The software was successfully tested and installed in the Frankfurt district last fall. However, additional time and effort have been spent correcting some hardware and software problems discovered in the early stages of actual operation. Actions are now underway to solve these problems before implementing the system in our larger districts.

☐ Challenges: The biggest challenge facing TSA is achieving our goals under the shadow of the Gramm-Rudman-Hollings budget balancing law.

As a result of this legislation, the agency's FY 86 budget was cut approximately $12 million. This cut forced TSA to limit its program for expanding commissary operating hours, reduce installation of scanning from four to three sites a month, eliminate all but mission essential training and travel, postpone establishment of several new commissary annexes, discontinue the commissary reset program and slash the summer hire program at the headquarters and commissary regions.

Overall, TSA's support to soldiers and their families has not been significantly reduced below the level provided before the budget cuts. However, improvement programs have been curtailed and I cannot predict what looms over the horizon, but we must be prepared for the storm. For this reason, TSA has developed contingency plans to address possible future budget reductions.

This challenge will make our goal of improving the quality of life for soldiers and their families more difficult to attain. But by using resources wisely and efficiently, TSA will weather the challenge and pursue every possible effort in "Serving the Most Deserving."

Brig. Gen. James S. Hayes, USA
Commander
U.S. Army Troop Support Agency

Defense Logistics Agency/ Defense Personnel Support Center

Buying both perishable and semi-perishable food for more than 9 million American service personnel, their eligible dependents, and other customers worldwide is a very complex task. But for the Defense Logistics Agency and its Philadelphia-based Defense Personnel Support Center, it's a job that's done with a high degree of commitment and efficiency.

With buying activities located throughout the United States and Europe, DLA currently purchases approximately $1.7 billion worth of food to be served in dining halls and for sale in 99 overseas commissary stores. Another $2.6 million is procured for resale in commissaries located in the United States.

Procuring quality food at fair and reasonable prices and making sure it gets to the customers in a timely manner are two of our chief priorities. To accomplish this, we have undertaken several initiatives. These include requiring proper vendor documentation, penalizing delinquent vendors, narrowing the price gap between overseas and stateside commissaries, improving transmission of orders to vendors, and revising and automating the Supply Bulletin program.

Let me explain each of these in further detail.

☐ Shipment documentation: When a van arrives at an overseas destination with missing or incomplete documents, its contents may sit for weeks until the documents are forwarded or until the order is properly verified.

In order to alleviate this problem and consequently keep store shelves stocked, our Defense Personnel Support Center is making vendors follow certain shipping requirements.

Vendors have been notified that for all source load shipments, they must have a copy of the DPSC Form 300-M (Order for Subsistence) in the van and distribute copies of the form in a timely and accurate manner. They should be sent at time of shipment and should reflect accurate information relative to items, prices and quantities shipped and all data required in blocks 16 through 28.

Documents should be forwarded to both the Center's Office of Transportation (Attn: DPSC-NMB), and the Commissary Support Branch (Attn: DPSC-SPC).

In addition, all required health certificates must be forwarded with original signatures as required.

☐ Penalizing delinquent vendors: Vendors who do not comply with the requirements may experience withholding of fast pay privileges until the proper documentation is received.

Also, as of April 1986, DPSC has begun assessing a $200 fee on all vans received at the commissary stores without proper documentation. With these shipping requirements in place, DPSC will be better able to serve its customers.

Next, let's take a look at revised shipment times for semi-perishable orders. On May 1, 1986, everyone involved in the pipeline agreed to adjust the order-ship-time to Europe from 55 to 75 days so goals of on-time delivery to the commissaries could be achieved.

Under the 75 day order-ship-time to Europe policy, our agency still requires vendors to deliver food within 14 days. During days 15-22, vendors will be afforded a period of forebearance. After the twenty-second day, DPSC

will begin to impose penalties.

As a result of a more stringent delivery policy, backlogs at the depots and van bunching overseas will be greatly reduced.

☐ Narrowing the price gap between overseas and stateside commissaries: Through our DPSC's subsistence directorate's active participation in the Voluntary Price Reductions program, we have effectively narrowed the gap between the prices a customer pays in the continental United States and in overseas commissaries.

Under the program, vendors offer a temporary reduction in price, either as a promotional incentive or to help reduce inventory of slow moving brands. To date, over 16,000 up-front VPRs have been offered on brand name items for resale in overseas commissary stores.

In addition, messages on all VPRs are now sent to overseas stores in advance to tell them of upcoming special buys.

The system to help the services compute actual savings realized as a result of VPRs is being computerized. By this summer, we expect to be able to advise them of both the regular price and the VPR price on the delivery documentation accompanying the delivery.

☐ Improving transmission of orders to vendors: In the area of electronic data interchange, DPSC is also moving forward with plans to start a new system of transceiving orders to vendors by using the Uniform Communications Standard/Electronic Data Interchange. A successful preliminary transmission with the Procter & Gamble Company has been completed.

Implementation of EDI will result in Subsistence's customers receiving their products in a more timely manner.

☐ Revising and automating the Supply Bulletin program: In spite of the work involved in revising the Supply Bulletins, August 1, 1986, has been established as the target date when all vendors must revise them to reflect case and unit Universal Product Codes.

DLA is excited about DPSC's plan to improve the Supply Bulletin, the fifth in its series of initiatives. This improvement is part of the continuing effort to provide the store patron with the best product at the lowest price by moving more into the age of automation.

To accomplish this, DPSC plans to connect optical character readers to several existing personal computers. The readers are designed to convert several different styles of printed material into electronic information compatible with the personal computer. The personal computer will then reformat the information as needed, store it in its memory, and send it to the mainframe on a daily basis. This process will eliminate having to key-in Supply Bulletin data.

Plans are also on the board for development of on-line hookups with industry. This will allow them the capability to input Supply Bulletin information directly to DPSC's data bank.

To improve services to the commissary stores, a new list of items and prices, also referred to as a broadcast, has been coordinated and will be greatly expanded from its current form to contain all the information now contained in the Supply Bulletins.

This broadcast, which will be generated from DPSC's computer system on-line to the military services' headquarters, eliminates the need for hard copy Supply Bulletins. In addition, it also reduces the time lags between receipt of price changes and new items here at DPSC, and ensures customers are notified of such updates.

Through these and other on-going actions, the Defense Logistics Agency, a dynamic partner with the military services, continues to enhance its timely and efficient support to our armed forces and, in turn, improve their readiness.

Maj. Gen. Donald P. Litke, USAF
Deputy Director
Defense Logistics Agency

Veterans Canteen Service

During FY 1985 a number of initiatives were undertaken that have resulted in better goods and services being provided to Veterans Canteen Service customers. Among these were:

☐ Initiation of a strategic planning and management process that specifically addresses merchandise mix, pricing policies, marketing techniques, merchandise acquisition, merchandise distribution, sales promotion, store and cafeteria design and layout, and training.

☐ Recommendations resulting from planning task force efforts were assessed and those approved were either implemented during the fiscal year or plans were formulated to implement them during FY 1986 (e.g., acceptance of manufacturers' cents-off coupons). Field office staff and canteen chiefs played a major role on these task forces.

☐ Strengthening of the VCS "buying office" and buying procedures have resulted in more timely acquisition of merchandise at even more favorable cost prices.

☐ Full-scale implementation of a women's ready-to-wear and accessories program at over 100 VA medical centers has helped to more appropriately provide for the needs of female veterans hospitalized in or treated at VA medical centers.

☐ Greater involvement of non-Central Office components in the selection of merchandise items for price agreement listings available to individual canteens.

☐ Increased and improved communication between VCS Central Office and VCS field offices.

☐ System-wide implementation of an automated financial management information system, and implementation of an ADP budget formulation capability.

☐ Establishment of a VCS equipment budget review committee has improved the review and decision-making process in allocating limited resources for equipment-related expenditures.

☐ Upgrading of food specials offered in VCS cafeterias.

☐ Implementation of improved VCS catering guidances.

☐ Enhancement of VCS awareness of private sector activities through initiating membership in the National Retail Merchants Association and the National Restaurant Association.

☐ Formulation of a plan of reorganization that will improve the efficiency and effectiveness of the VCS to deliver its goods and services to veterans hospitalized in VA

medical centers and to other authorized patients, while realizing considerable estimated recurring savings in VCS operating expenditures.

The VCS operates as a commercial-type enterprise on a revolving fund basis, annually budgeting to net only as much income as will be necessary to maintain current operations and needs for the ensuing fiscal year.

Total sales for FY 1985 were $183,035,000. These figures represent retail sales of $101,894,000, food sales of $76,602,000, and service sales of $4,539,000.

During fiscal year 1985, the VCS customer spent approximately 56¢ of each sales dollar on retail merchandise, 31¢ of each sales dollar on cafeteria food and beverages, 11¢ of each sales dollar on vended beverages and food, and 2¢ of each sales dollar on VCS services such as dry cleaning and photofinishing.

Background

On August 7, 1946, the 79th Congress of the United States passed a public law establishing the Veterans Canteen Service (VCS).

The VCS is a non-appropriated operating component of the Veterans Administration's Department of Medicine and Surgery. Its primary purpose is to make available to veterans in VA health care facilities, articles of merchandise and services essential to their comfort and well being, at reasonable prices.

A secondary purpose is to make available, at reasonable prices, food services to VA medical center employees, volunteers and visitors, and selected food services to medical center patients.

The VCS organization presently consists of a Central Office staff, located in Washington, D.C.; three regional field offices (located in Somerville, N.J.; Atlanta, Ga.; and Denver, Colo.); a finance center located in St. Louis, Mo; and 172 field "canteens" located in VA medical centers throughout the United States and in the Commonwealth of Puerto Rico.

The VCS Central Office staff bears responsibility for the development of policies, plans and procedures for the establishment, management and operation of the canteens, and for the issuance of policies and procedural instructions to the field offices, finance center and canteens.

Staffing

☐ Service management is headed by a director, who functions as the chief executive officer.

☐ The deputy director is the principal assistant of the service director, functioning as chief operating officer. The deputy is responsible for all merchandising, facilities development, remodeling and activation, all activities supporting operations, and for management of the activities of each of the three field directors, who bear responsibility for administration and operation of canteens within one of three VCS regions.

VCS Central Office contains a merchandise procurement division, a retail store support division, a food operations support division, a design and layout division, a personnel and administrative division, a budget and finance division, and a planning and evaluation staff.

☐ The merchandise procurement division includes a buying staff who regularly shop the market to identify, category by category, those merchandise items that they feel represent the best values for VCS customers; negotiate the best prices, terms and delivery schedules possible and make this information available through national price agreement listings to each canteen chief so that he or she may place orders (within merchandise inventory guidelines) to stock their retail stores.

The division also places system-wide orders for special promotional "one time buy" items for delivery to participating canteens. Canteens provide — through the field offices — the quantities that they wish to order; the Central Office division places the consolidated system-wide order.

Since the VCS has no national warehousing, each canteen orders its individual requirements for merchandise on a direct basis.

☐ The retail and food support divisions develop procedural guidelines on marketing and merchandising, which are disseminated to field offices and canteens to assist them in maximizing sales and providing maximum service to our customers.

These divisions also provide analysis of operating results, provide assistance on design and layout of new and to be renovated retail stores and cafeterias, advice on the selection of fabricated equipment and fixtures, and a variety of other support services.

These divisions are charged with keeping current of retail merchandise and food trends and customer preferences so that canteens can be advised about what our customers will want.

☐ The design and layout division is responsible for working with VA medical centers, VCS field offices and the VA Office of Construction on new construction and remodeling projects. The service is continually modernizing its retail stores to that customers will have easy accessibility to merchandise, and also its cafeterias to provide easy accessibility to and within and from the cafeteria, as well as to improve the quality of food preparation, presentation, and seating.

☐ The personnel and administrative division and the budget and finance division provide specialized support to Central Office, field office, finance center and canteen operations.

☐ The planning and evaluation staff, recently established, is responsible for coordinating all strategic and tactical planning and evaluation. To date, the chief of this staff has coordinated activities of the VCS retail store planning task force, the food planning task force, merchandise procurement task force and the management information system task force.

☐ The VCS finance center, located in St. Louis, is headed by a center director. This individual reports to the service deputy director and administers all manual and ADP activities of the center.

☐ The VCS audit staff is also located in St. Louis. The staff performs regular financial audits and vulnerability assessments of the canteens' field offices and the finance center. The staff also performs special financial audits and investigations as determined by the service director.

☐ Each field office bears responsibility for the administration of VCS activities within a specific VCS region, for program management, quality assurance, training, construction and remodeling project management, and a variety of program support activities.

☐ Each VCS canteen is headed by a chief who has a background and experience in retail and food merchandising and management. Each canteen contains a retail store, cafeteria, one or more vending areas, and may in-

clude a barber shop, beauty shop, and offer dry cleaning, photofinishing, and other services.

Canteens are planned in size, staff and with equipment, fixturing and merchandise to meet the particular needs of patients at each VA medical center. Patient mix (i.e., general medicine, surgical, psychiatric, spinal cord injury, etc.) has a strong influence on the canteen design layout, staffing and merchandise mix. Although the degree of service may vary, the pattern of services remains uniform systemwide.

The VCS received an appropriation of $4,965,000 for its activation more than 39 years ago. Since that time (1946), the VCS has paid more than double that amount (through FY 1982) to the U.S. Treasury, and approximately 11 times that amount to the VA for rent, utilities and other services.

Dr. Robert Leyton
Acting Director
Veterans Canteen Service
Veterans Administration

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continued from page 86

at our first worldwide commissary officers conference. The message was very clear from our people in the trenches — get more control back to the commissary officer, simplify regulations, and help employees develop professionally.

Their ideas have been a catalyst for AFCOMS, and the results promise to improve our operations even more.

As a result, we've established a personnel development or training function with the primary purpose of developing the potential of all our employees — military and civilian.

Several actions are under way to help reach that goal, including building new training classrooms with a "mock" store at AFCOMS headquarters. We're also developing new courses on videocassettes to be used at stores.

A civilian career planning guide has been developed and every employee will get a copy when it's published. This guide is designed to show our people what steps are necessary to progress to any job within AFCOMS. A similar guide is being developed for our military.

Simplifying Regulations

Simplifying regulations is no easy task, but we've managed to streamline ours with a series of "How-to" pamphlets written in kitchen English. Our people will keep their pamphlets in their department area for each access. Subjects include customer service, grocery, meat, and produce departments, along with warehouse, store administration and troop support.

In the coming year, AFCOMS will continue to look for innovative ideas that will streamline operations and improve service. That's why we're in the business.

Maj. Gen. M. Gary Alkire, USAF
Commander
Air Force Commissary Service

Military Market index

COMMISSARIES

		MARCH			YEAR TO DATE		
		CY'86	CY'85	% CHANGE	CY'86	CY'85	% CHANGE
	CONUS	$152,901	$156,609	-2.37	$460,202	$449,227	2.44
	OVERSEAS	29,662	31,471	-5.75	86,039	90,142	-4.55
AIR FORCE	**TOTAL**	**182,563**	**188,080**	**-2.93**	**546,241**	**539,369**	**1.27**
	CONUS	108,885	111,825	-2.63	316,575	314,685	0.60
	OVERSEAS	35,280	32,655	8.04	101,535	93,450	8.65
ARMY	**TOTAL**	**144,165**	**144,480**	**-0.22**	**418,110**	**408,135**	**2.44**
	CONUS	75,743	75,975	-0.31	194,170	191,342	1.48
	OVERSEAS	8,504	8,218	3.48	21,597	21,190	1.92
NAVY	**TOTAL**	**84,247**	**84,193**	**0.06**	**215,767**	**212,532**	**1.52**
	CONUS	15,576	15,694	-0.75	42,260	42,151	0.26
	OVERSEAS	249	211	18.01	768	695	10.50
MARINE CORPS	**TOTAL**	**15,825**	**15,905**	**-0.50**	**43,028**	**42,846**	**0.42**
	CONUS	257	302	-14.90	754	867	-13.03
	OVERSEAS	267	263	1.52	907	870	4.25
COAST GUARD	**TOTAL**	**524**	**565**	**-7.26**	**1,661**	**1,737**	**-4.38**
	CONUS	$353,362	$360,405	-1.95	$1,013,961	$998,272	1.57
ALL	OVERSEAS	$73,962	$72,818	1.57	$210,846	$206,347	2.18
COMMISSARIES	**TOTAL**	**$427,324**	**$433,223**	**-1.36**	**$1,224,807**	**$1,204,619**	**1.68**
GROCERY STORES†	U.S.[1]	$22.816	$21.785	4.73	$66.195	$62.565	5.80

EXCHANGES

		MARCH			YEAR TO DATE		
		CY'86	CY'85	% CHANGE	CY'86	CY'85	% CHANGE
	CONUS	$233,654	$232,130	0.66	$662,493	$627,802	5.53
	OVERSEAS	164,146	150,095	9.36	470,253	428,409	9.77
AAFES	**TOTAL**	**397,800**	**382,225**	**4.07**	**1,132,746**	**1,056,211**	**7.25**
	CONUS[2]	85,635	87,678	-2.33	222,567	232,461	-4.26
	OVERSEAS[2]	36,220	34,932	3.69	96,531	98,838	-2.33
NAVY	**TOTAL[2]**	**121,855**	**122,610**	**-0.62**	**319,098**	**331,299**	**-3.68**
	CONUS	28,121	29,538	-4.80	77,366	78,313	-1.21
	OVERSEAS	5,131	4,684	9.54	14,041	13,586	3.35
MARINE CORPS	**TOTAL**	**33,252**	**34,222**	**-2.83**	**91,407**	**91,899**	**-0.54**
	CONUS[3]	6,699	6,607	1.39	18,382	17,916	2.60
	OVERSEAS[3]	499	509	-1.96	1,369	1,429	-4.20
COAST GUARD	**TOTAL[3]**	**7,198**	**7,116**	**1.15**	**19,751**	**19,345**	**2.10**
	CONUS[4]	1,365	1,290	5.81	4,269	3,670	16.32
	OVERSEAS[4]	3,364	3,812	-11.75	10,204	10,342	-1.33
MAIL ORDER	**TOTAL[4]**	**4,729**	**5,102**	**-7.31**	**14,473**	**14,012**	**3.29**
	CONUS	$355,474	$357,243	-0.50	$985,077	$960,162	2.59
	OVERSEAS	$209,360	$194,032	7.90	$592,398	$552,604	7.20
ALL EXCHANGES	**TOTAL**	**$564,834**	**$551,275**	**2.46**	**$1,577,475**	**$1,512,766**	**4.28**
DEPARTMENT STORES	U.S.[1]	$10.761	$9.984	7.78	$26.764	$25.382	5.44

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.